CECURITY INFORMATE ANCH NO. : Chief, EE TO FROM : Chief of Station, Frankfurt (Hur lor into and files

SUBJECT: GENERAL- Operational

SPECIFIC— Progress Report - ZIPPER Transfer to The Federal Republic

- 1. We have had an excellent opportunity to debrief Dr. HORN during his two day stay in Munich prior to his three week leave to Austria. The information received from him plus what we have learned from Drs. GRAU and GUMBEL (GLOBKE's Administrative and Financial experts studying ZIPPER), and recent discussions with UTILITY has given us a rather lucid picture of ZIPPER developments and progress to legalize themselves with the Bundesrepublic towards becoming the German Intelligence Service.
- 2. The team of GRAU and GUMBEL completed a three day visit on 18 July 1952. After an overall introduction by UTILITY the following subjects were discussed in detail:
 - Personnel matters. a.
 - b. Relationship and cooperation with other governmental authorities.
 - Cover and Legalization problems.

d. Basic questions of financing and administrative handling.

Accounting procedure. e.

Budget planning.

Examination of financial matters.

Insurance matters. <u>h</u>.

- Travel costs, disposal costs, procurement of consultants and specialists.
- Procurement of foreign currencies.
- k. Property and financial assets.

Vehicles and motorization.

DECLASSIFIED AND RELEASED BY CENTRAL INTELLIGENCE AGENCY SOURCES METHODS EXEMPTION 3 B 2 B NAZI WAR ERIMES DISCLOSURE ACT DATE 2003 2005

Smot

TRAVEL PROBREM

ME 101. (2, 3)

RYGAT REST. CONE

143 FOR 3386

粉 (部) for thing

32W-5-131

IP/EDI

17/148

17/08/3

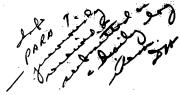
MAR. 1943 5-1 BOONA

SECRET

- 3. Apparently ZTPPER has prepared the background material of the points listed above and has now been asked to prepare the subjects and contents of this material in a format acceptable to the government. We have asked UTILITY to provide us with copies of the reports they will turn over to Bonn.
- ii. After considering the problem of transfer from all points of view we have decided not to interfere or attempt to influence UPCHOWTH in their scheduled program. We have advised UTILITY to this effect to which he concers. All conserned feel that our involvement may be considered as unwarranted interference in what is considered a basis internal national problem, and we might do more harm than good. We have given assurance of assistance when it may be required or necessary, and have select UTILITY to keep us an courant with developments.
- Finance Minister SCHAEFFER and Mr. BLANK have been officially briefed by UPTHRUST that he intends to integrate ZIPPER into the Federal Republic under the jurisdiction of the Chancery as the centralized national intelligence service. It is considered that the above two individuals are the only ones who need know this for the present time, and specifically to assist in the financial and personnel planning. The only other members of the Bonn government officially involved and briefed are members of GLOEKE's office. UPTHRUST plans to brief the other Ministries and the Bundestag Committee after retification of the treaties. Blank has also been advised by UPTHRUST to visit the ZIPPER installation in the near future and to discuss mutual problems. We intend to spend sometime with BLANK during his visit here, and hope to get a clearer picture of the possible solutions to the complex personnel problem, particularly of the military slots confronting ZIPPER.
- The actual transfer of ZIPPER does not appear complicated and is invite aged as follows:
- a. Upon the effective date of the entry into force of the conventions, UPTHRUST intends to publish a letter order someomorphy the entablishment of a contralized national intelligence service under the Gammael service. At executive order or appointment is not necessary since under darmed law, the Campaellor may create or appoints in programme than under his justication which does not have executive powers. The Bundesvar has no justication over such an establishment.
- b. Pollowing UPTHRUST's acceptance the only other thing necessary is to receive governmental approval of the budget requirements for the intelligence service. The budget requirements need only be submitted to the bundes Heushaltansschuss (Budget Committee) for approval. Preparations for this are under may in the form of studies to be submitted by SEAR and COMPEL. UPTHRUST conspels the Budget Committee since the COM confiction controls 15 of the Ch votes and the SEAR conticion has the remarking 3. Duty a simple majority is necessary to carry a metion.

SECRET

_ A _



7. HORN advised us he was informed by McCloy, prior to the latter's departure from Germany, that the United States will recognize the sovereignty of Germany as soon as the German Federal Republic ratifies the two treaties, which is expected to take place approximately 10 October 1952. HORN realizes this is not in accord with Article 11 of the "Conventions on Relations Between the Three Powers and the Federal Republic of Germany, which clearly states that "--- The present convention shall enter into force immediately upon the deposit by all Signatory states of instruments of ratification of the present convention --- ". Since this is quite significant and if the will have considerable bearing on our own time table vis a vis ZIPPER we asked HORN again several days later. He reaffirmed the statement and said it was in connection with leverage to force France to ratify the treaties as soon as possible thereafter.

S. As it stands now, UTILITY and WEND? are handling the financial, personnel and administrative matters with GLORKE and his specialist assistants. During a meeting with UTILITY, MERKER and HENDAHL, Wallop again raised the queetion of cover for the compound once ZIPPER is recognized as the GIS, and what will be the position of the Americans sitting in the middle of a national service, to which UTILITY, as he has in the past, stated he foresees no physical change necessary for the time being; the cover for the compound will be changed from American military cover to either German military or some sort of German governmental cover; that there may be an in-between period that may offer some complications, however, this may be resolved by erecting a fence between the ZIPPER and FOR starf.

9. The relationship of operational and staff procedure is apt to take on a more significant character. UTILITY stated that after acceptance of ZIPPER as the GIS he will have a evert office in Bonn in addition to a limited staff section, headed by HERDAH, which will be responsible for conducting limited with the allies. It does not appear likely that the POB staff will be initially effected by this establishment.

16. DETLITI does not consider that there is any rush considering the intelligence relationship of the dis with other governmental agencies, now does he think there is any argency in considering the overall intelligence mission of the dis, and its melated problems. These meaters with property not come up for consideration until after the acceptance of ZIPPER, although some advance considerations must be given these important points by UPCHOWTH and UTILITY. We will try to keep shead of the game.

11. For the past six months we have repeatedly attempted to obtain "TILITY's views on a secret USIS/GIS bi-lateral intelligence agreement. It now eppears as if we may finally get it, MERKED has assured us he findence a draft which is presently in UTILITY's office pending his

SECRET

return to Pullach on 8 August, which we may expect in the next few days. To a great extent the future of the POB relationship with the GIS will depend upon this secret agreement.